

6084

RECEIVED
LEGISLATIVE AUDITOR
2007 DEC 17 AM 11:19

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
Catahoula, Louisiana

ANNUAL FINANCIAL REPORT

June 30, 2007 and 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

2/6/08

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4

Catahoula, Louisiana

June 30, 2007 and 2006

CONTENTS

	<u>Exhibit</u>	<u>Page No.</u>
Independent Auditor's Report		1-2
Basic Financial Statements:		
Statement of Net Assets-June 30, 2007 and 2006	A	3
Statement of Revenues, Expenses and Changes in Net Assets for the Years Ended June 30, 2007 and 2006	B	4
Statement of Cash Flows for the Years Ended June 30, 2007 and 2006	C	5
Notes to the Financial Statements		6-16
Internal Control, Compliance and Other Matters:		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		17-18
Schedule of Expenditures of Federal Awards		19
Notes to Schedule of Expenditures of Federal Awards		20
Schedule of Findings, Questioned Costs and Management's Corrective Action Plan		21-23
Summary Schedule of Prior Audit Findings		24

MARAIST & MARAIST

CERTIFIED PUBLIC ACCOUNTANTS

(A PARTNERSHIP OF PROFESSIONAL ACCOUNTING CORPORATIONS)

1411 N. MAIN STREET

ST. MARTINVILLE, LOUISIANA 70582

TELEPHONE: (337) 394-5571 • FAX: (337) 394-1720

CHARLES M. MARAIST, CPA *

REGINA B. MARAIST, CPA *

* A PROFESSIONAL ACCOUNTING CORPORATION

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF
LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board Members of the
Waterworks District No.4 of
St. Martin Parish, Louisiana
Catahoula, Louisiana

We have audited the accompanying financial statements of the business-type activities of the Waterworks District No. 4 of St. Martin Parish, Louisiana, a component unit of the St. Martin Parish Government, as of and for the years ended June 30, 2007 and 2006 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Waterworks District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

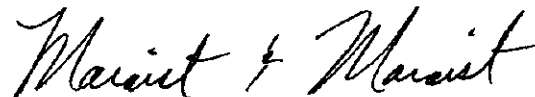
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Waterworks District No.4 of St. Martin Parish, Louisiana as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2007 on our consideration of the Waterworks District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the Board Members of the
Waterworks District No. 4 of
St. Martin Parish, Louisiana

The Waterworks District No. 4 of St. Martin Parish, Louisiana has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Waterworks District No. 4 of St. Martin Parish, Louisiana's basic financial statements. The accompanying schedule of expenditures of federal awards is present for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements of the Waterworks District No. 4 of St. Martin Parish. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



MARAIST & MARAIST
CERTIFIED PUBLIC ACCOUNTANTS

September 24, 2007

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
STATEMENT OF NET ASSETS
June 30, 2007 and 2006

Exhibit A
BUSINESS-TYPE ACTIVITIES
PROPRIETARY FUND

<u>ASSETS</u>	<u>6/30/07</u>	<u>6/30/06</u>
Current Assets:		
Cash and cash equivalents	\$ 1,598	\$ 11,543
Accounts receivable	25,477	25,918
Prepaid expenses	7,085	6,648
Insurance deposits	1,138	1,138
Total current assets	<u>\$ 35,298</u>	<u>\$ 45,247</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	3,614	2,814
Capital Assets, at cost, net of accumulated depreciation of \$765,208 at 6/30/07 and \$673,935 at 6/30/2006	2,526,125	2,616,487
TOTAL ASSETS	<u><u>\$ 2,565,037</u></u>	<u><u>\$ 2,664,548</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities(from current assets):		
Accounts payable	\$ 32,868	\$ 24,966
Sales tax payable	127	150
Payroll taxes payable	413	281
Total current liabilities (from current assets)	<u>\$ 33,408</u>	<u>\$ 25,397</u>
Current Liabilities (from restricted assets):		
Customer deposits	\$ 30,568	\$ 30,768
Accrued interest payable	1,257	8,326
Notes payable-RDA (current portion)	23,594	24,384
Total current liabilities (from restricted assets)	<u>\$ 55,419</u>	<u>\$ 63,478</u>
Long-Term Liabilities:		
Notes Payable-RDA (long-term portion)	<u>\$ 2,181,551</u>	<u>\$ 2,210,503</u>
TOTAL LIABILITIES	<u><u>\$ 2,270,378</u></u>	<u><u>\$ 2,299,378</u></u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 320,980	\$ 381,600
Restricted for debt service/contingency		
Unrestricted/ (Deficit)	<u>(26,321)</u>	<u>(16,430)</u>
TOTAL NET ASSETS	<u><u>\$ 294,659</u></u>	<u><u>\$ 365,170</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,565,037</u></u>	<u><u>\$ 2,664,548</u></u>

The accompanying notes are an integral part of these financial statements.

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

For the Years Ended June 30, 2007 and 2006

	Exhibit B BUSINESS-TYPE ACTIVITIES PROPRIETARY FUND	
	FYE 6/30/2007	FYE 6/30/2006
<u>OPERATING REVENUES:</u>		
Water sales	\$ 275,461	\$ 286,358
Installations, connections, additions	9,850	13,670
Penalties & late charges	9,371	11,317
Miscellaneous revenues	2,911	3,769
TOTAL OPERATING REVENUES	\$ 297,593	\$ 315,114
<u>OPERATING EXPENSE:</u>		
Water purchased	\$ 75,081	\$ 62,004
Salaries	66,000	66,000
Payroll taxes	5,049	5,049
Insurance expense	12,057	15,553
Repair and maintenance	9,580	15,958
Depreciation expense	90,362	91,273
Chemicals and lime	0	0
Professional fees	3,270	4,265
Supplies	277	87
Telephone	4,734	4,035
Utilities	908	1,753
Safe water program & water tests	2,543	2,491
Office expense	5,545	4,796
Automotive expense	1,642	2,082
Miscellaneous Expense	633	908
TOTAL OPERATING EXPENSES	\$ 277,681	\$ 276,254
OPERATING INCOME/(LOSS)	\$ 19,912	\$ 38,860
<u>NONOPERATING REVENUES/(EXPENSES)</u>		
Interest Income	\$	\$
Interest expense	(90,423)	(114,597)
TOTAL NONOPERATING REVENUES/EXPENSES	\$ (90,423)	\$ (114,597)
CHANGE IN NET ASSETS	\$ (70,511)	\$ (75,737)
NET ASSETS, BEGINNING	365,170	440,907
NET ASSETS, ENDING	\$ 294,659	\$ 365,170

The accompanying notes are an integral part of these financial statements.

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007 and 2006

Exhibit C		
BUSINESS-TYPE ACTIVITIES		
PROPRIETARY FUND		
	<u>FYE 6/30/2007</u>	<u>FYE 6/30/2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 298,034	\$ 315,686
Payments to suppliers	(79,115)	(59,832)
Payments to employees	(66,000)	(66,000)
Other receipts/(payments)	<u>(34,630)</u>	<u>(54,052)</u>
Net cash provided/(used) by operating activities	<u>\$ 118,289</u>	<u>\$ 135,802</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Customer deposits received/ (refunded)	<u>\$ (200)</u>	<u>\$ (150)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Repayment of loan principal	\$ (29,742)	\$ (20,964)
Interest paid on bonds/notes payable	<u>(97,491)</u>	<u>(106,271)</u>
Net cash provided by capital and related financing activities	<u>\$ (127,233)</u>	<u>\$ (127,235)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>\$ -0-</u>	<u>\$ -0-</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ (9,144)</u>	<u>\$ 8,417</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>14,357</u>	<u>5,940</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 5,213</u></u>	<u><u>\$ 14,357</u></u>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Operating income/(loss)	\$ 19,912	\$ 38,860
Adjustments to reconcile operating income to net cash provided/(used) by operating activities		
Depreciation expense	90,362	91,273
Changes in net assets and liabilities:		
Receivables, net	441	572
Prepaid expenses	(437)	3,029
Accounts payable	7,902	1,810
Accrued liabilities	<u>109</u>	<u>258</u>
Net cash provided/(used) by operating activities	<u><u>\$ 118,289</u></u>	<u><u>\$ 135,802</u></u>

The accompanying notes are an integral part of these financial statements.

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4

Catahoula, Louisiana

Notes to Financial Statements

June 30, 2007

(1) GENERAL STATEMENT & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Waterworks District No. 4 of St. Martin Parish, Louisiana is a component unit of the St. Martin Parish Government. The waterworks district was established in 1999 as authorized by Chapter 9 of Title 33 of the Louisiana Revised Statutes of 1950, to acquire and make improvements to the Catahoula Water System, in order to provide the rural areas of Catahoula and Isle Labbe with a quality water supply and distribution system to supply rural residents with potable drinking water for domestic, livestock, garden, industrial and commercial purposes. The basic operations of the Waterworks District are financed by charges to customers based upon water consumption. The Waterworks District is governed by a board of control composed of five members which is appointed by the parish government. The members of the board of control serve without compensation.

Summary of Significant Accounting Policies

The accounting and reporting policies of the Waterworks District #4 of St. Martin Parish (the Waterworks District) conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

(A) Financial Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Martin Parish Government is the financial reporting entity for St. Martin Parish. The financial reporting entity consists of (a) the primary government (Parish Government), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting authority for generally accepted accounting principles as applied to

governmental entities. Governmental Accounting Standards Board (GASB) Statement No. 14 and No. 39 established criteria for determining which component units should be considered part of the St. Martin Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and;
 - a. The ability of the parish government to impose its will on that organization and/or;
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish government.
2. Organizations for which the parish government does not appoint a voting majority but are fiscally dependent on the parish government.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the parish government appoints the District's governing body, the St. Martin Parish Waterworks District No. 4 was determined to be a component unit of the St. Martin Parish Government, the financial reporting entity. The accompanying component unit financial statements present information only on the proprietary fund maintained by the District and do not present information on the parish government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

(B) Basis of Presentation (Government-Wide Financial Statements)

The accompanying financial statements of the Waterworks District No. 4 of St. Martin Parish have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District applies all applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The Statement of Net Assets displays information on all of the non-fiduciary activities of the St. Martin Parish Waterworks District No. 4, as a whole. It includes the proprietary fund of the District. Governmental activities, which

normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary funds are not included in government wide financial statements.

(C) Fund Accounting

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The District maintains only one fund and it is described below:

Proprietary Fund –

Enterprise Fund

The Enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(D) Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The enterprise fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the statement of net assets, business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Purchases of operating supplies are regarded as expenditures at the time purchased and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year, unless material.

Proprietary funds are reported in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. This standard requires that all applicable GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretation, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, be applied to proprietary activities unless they (FASB Statements and Interpretations, APB Opinions, and ARBs) conflict with or contradict GASB Statements Nos. 33 and 34.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principle operating revenues for proprietary funds are charges to customers for sales or services. Principle operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

GASB Statement No. 20 also states that for proprietary activities, management may elect to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. Proprietary activities under the control of the District have elected not to apply FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

(E) Budget Accounting

The St. Martin Parish Waterworks District No. 4 is not required to adopt a budget for its proprietary fund.

(F) Encumbrances

The St. Martin Parish Waterworks District No. 4 does not employ the encumbrance system of accounting.

(G) Compensated Absences

The Waterworks District does not grant compensated absences to any of its employees, either in the form of sick leave or vacation leave.

(2) CASH AND CASH EQUIVALENTS:

For purposes of the statements of cash flows, the Waterworks District No. 4 considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash equivalents on deposit with banks are fully secured through the pledge of bank-owned securities or federal deposit insurance. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

The carrying amount of cash and cash equivalents are displayed on the balance sheet as follows:

	<u>Book Balance</u>	
	<u>6/30/07</u>	<u>6/30/06</u>
<u>Unrestricted:</u>		
Petty cash	\$ 100	\$ 100
General account – checking	267	1,630
Revenue account – checking	1,232	9,813
<u>Restricted:</u>		
Construction account – checking	38	38
Depreciation fund – checking	3,175	2,375
Reserve note fund – checking	401	401
	<u>\$ 5,213</u>	<u>\$ 14,357</u>

Deposits with banks are categorized to give an indication of the level of risk at June 30, 2007 and 2006 as follows:

	<u>6/30/07</u>	<u>6/30/06</u>
Federal Insurance(FDIC)	<u>\$ 15,539</u>	<u>\$ 26,662</u>

(3) ACCOUNTS RECEIVABLE AND UNCOLLECTIBLE CHARGES

The Waterworks District No. 4 does not maintain an allowance for estimated uncollectible accounts. When an account is determined uncollectible it is deducted from the accounts receivable and charged against customer deposits initially, and the remaining balance charged to uncollectible water revenues. Due to the small monetary amounts involved, and the availability of customer deposits to offset

against any unpaid water bills, this method yields results which are not materially different from the allowance method of accounting for uncollectible receivables.

St. Martin Waterworks District No. 4's accounts receivable consist of uncollected billed utility services. An accounts receivable aging schedule, together with pertinent water system operating data, is as follows:

	6/30/07	6/30/06
<u>Days</u>	<u>Amounts</u>	<u>Amounts</u>
0-90	\$ 23,638	\$ 25,918
91 and older	1,839	-0-
<u>Total</u>	<u>\$ 25,477</u>	<u>\$ 25,918</u>
Breakdown of customers:		
Residential	855	833
Commercial	49	52
<u>Total</u>	<u>904</u>	<u>885</u>

The present water rates are as follows:

Residential monthly billing	
First 2,000 gallons (minimum)	\$13.50
Over 2,000 gallons (per 1,000 gallons)	\$2.85
Commercial monthly billing	
First 4,000 gallons (minimum)	\$48.00
Over 4,000 gallons (per 1,000 gallons)	\$2.50

(4) CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$300 or more are reported at historical costs or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-30 years
Water System	40-50 years
Furniture, Fixtures & Equipment	5-10 years
Improvements	20-25 years

Interest costs during construction are not capitalized.

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2007:

	Beginning Balance 07/01/06	Increases	Decreases	Ending Balance 6/30/07
Capital assets not being depreciated:				
Land	\$ 29,600			\$ 29,600
Other capital assets:				
Treatment plants and buildings	94,941			94,941
Furniture, fixtures and equipment	79,994			79,994
Water distribution system	3,177,160			3,177,160
Totals	<u>\$ 3,381,695</u>			<u>\$ 3,381,695</u>
Less: Accumulated depreciation for				
Treatment plants and buildings	\$ 84,490	\$ 1,050		\$ 85,540
Furniture, fixtures and equipment	66,001	7,009		73,010
Water distribution system	614,717	82,303		697,020
Total accumulated depreciation	<u>\$ 765,208</u>	<u>\$ 90,362</u>		<u>\$ 855,570</u>
Capital assets, net	<u>\$ 2,616,487</u>	<u>\$ (90,362)</u>		<u>\$ 2,526,125</u>

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2006

	Beginning Balance 07/01/05	Increases	Decreases	Ending Balance 6/30/06
Capital assets not being depreciated:				
Land	\$ 29,600			\$ 29,600
Other capital assets:				
Treatment plants and buildings	94,941			94,941
Furniture, fixtures and equipment	79,994			79,994
Water distribution system	3,177,160			3,177,160
Totals	<u>\$ 3,381,695</u>	<u>\$</u>		<u>\$ 3,381,695</u>
Less: Accumulated depreciation for				
Treatment plants and buildings	\$ 82,777	\$ 1,713		\$ 84,490
Furniture, fixtures and equipment	58,744	7,257		66,001
Water distribution system	532,414	82,303		614,717
Total accumulated depreciation	<u>\$ 673,935</u>	<u>\$ 91,273</u>		<u>\$ 765,208</u>
Capital assets, net	<u>\$ 2,707,760</u>	<u>\$ (91,273)</u>		<u>\$ 2,616,487</u>

(5) LONG-TERM OBLIGATIONS

The following is a summary of the long-term debt transactions and balances of the Waterworks District No. 4.

\$2,295,000 Water Revenue Bonds, due in monthly installments of \$10,602.90 through October 2, 2042, bearing interest of 4 5/8%, to be retired from excess annual water revenues.

Balance—6/30/05	\$ 2,255,851
Principal reductions-FYE 6/06	<u>(20,964)</u>
Balance—6/30/06	\$ 2,234,887
Principal reductions-FYE 6/07	<u>(29,742)</u>
Balance—6/30/07	<u>\$ 2,205,145</u>

The annual requirements to amortize revenue bonds outstanding at June 30, 2007, are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Totals</u>
2008	\$ 127,235
2009	127,235
2010	127,235
2011	127,235
2012	127,235
2013—2017	636,174
2018—2022	636,174
2023—2027	636,174
2028—2032	636,174
Thereafter	<u>1,276,588</u>
Total principal & interest	\$ 4,457,459
Less: Interest	<u>2,252,314</u>
Balance at June 30, 2007	<u>\$ 2,205,145</u>

(6) RESTRICTED ASSETS

Certain assets of the Waterworks District No. 4 are restricted under the terms of the Loan Resolution Security Agreement with the United States Office of Rural Development. All funds received shall be pledged for the purpose of the following funds and shall be set aside into the following separate accounts:

All revenue received shall be set aside in an account to be designated as the General Revenue Account. The General Revenue Account shall be used to make the monthly debt service payments plus operating and maintenance expenses.

From the remaining funds in the General Revenue Account there shall be set aside into an account designated as the Reserve Account the sum of \$531 each month until there is accumulated in that account the sum of \$127,235 after which deposits may be suspended, except to replace withdrawals.

All of the revenues received in any fiscal year and that are not required to be paid into any of the above noted funds in such fiscal year shall be regarded as surplus and may be used for any lawful purpose.

The customer deposit accounts represent refundable deposits collected from customers requesting service connection. The customer deposit accounts totaled \$3,576 at June 30, 2007. There is an amount due the customer deposit account from the General Revenue Account in the amount of \$26,992 at June 30, 2007.

Violation of Water Revenue Bonds Restrictions

The District is in compliance with all significant limitations and restrictions set forth in the issuance of the outstanding water revenue bonds with the following exception:

- A. The District is not making the required transfers from the General Revenue Account into the Revenue Bond Reserve Account, due to cash flow restrictions.

(7) RETIREMENT PLANS

All employees of the Waterworks District are members of the Social Security Retirement System. No supplemental retirement or pension plans are maintained or provided by the Waterworks District.

(8) RISK MANAGEMENT

The Waterworks District is exposed to risks of loss in the areas of health care, workers' compensation, general and auto liability, and property hazards. These risks are handled by purchasing commercial insurance. There have been no significant reductions in these insurance coverages during the current fiscal year, nor have settlements exceeded insurance coverage for the current or prior two fiscal years. A summary of coverage maintained at June 30, 2007 consists of:

Coverage Provided For	Limits of Coverage (in dollars)	Description of limits	Expiration Date
Fidelity Bond	\$ 127,234		12/15/07
Commercial General Liability	\$ 1,000,000	Each occurrence	8/14/07
	\$ 100,000	Fire damage limit	
	\$ 5,000	Medical expense limit	
	\$ 1,000,000	Personal and advertising injury limit	
	\$ 2,000,000	General aggregate limit	
	\$ 1,000,000	Products -- completed operations aggregated	
Commercial Property	\$ 584,981	Buildings, water wells, and tanks	11/26/07
Commercial Auto Coverage	\$ 1,000,000	Liability	8/14/07
	\$ 1,000,000	Uninsured motorist	
Workers Compensation	\$ 1,000,000	Bodily injury	8/14/07

(9) CONTINGENT LIABILITIES

The Waterworks District has no contingent liability exposure of which management is aware as of 6/30/07.

(10) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual costs could differ from those estimates.

(11) COMPENSATION OF BOARD MEMBERS

The board of control consists of four members, who do not receive compensation, as follows:

Paul Champagne – President
Terry Guidry – Vice President
Otis Courville – Board Member
Jody Guidry – Board Member

(12) SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards is composed exclusively of federal loan balances subject to continuing compliance requirements, and hence includible as federal awards expended in accordance with OMB Circular A-133 Section 205 (b).

MARAIST & MARAIST

CERTIFIED PUBLIC ACCOUNTANTS

(A PARTNERSHIP OF PROFESSIONAL ACCOUNTING CORPORATIONS)

1411 N. MAIN STREET

ST. MARTINVILLE, LOUISIANA 70582

TELEPHONE: (337) 394-5571 • FAX: (337) 394-1720

CHARLES M. MARAIST, CPA *

REGINA B. MARAIST, CPA *

* A PROFESSIONAL ACCOUNTING CORPORATION

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF

LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board Members of the
Waterworks District No. 4 of
St. Martin Parish, Louisiana
Catahoula, Louisiana

We have audited the financial statements of the Waterworks District No. 4 of St. Martin Parish, Louisiana, as of June 30, 2007 and for the year then ended, and have issued our report thereon dated September 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Waterworks District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Waterworks District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Waterworks District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Waterworks District's ability to initiate, authorize, record, process, or report financial

To the Board Members of the Waterworks
District No. 4 of St. Martin Parish, LA

data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Waterworks District's financial statements that is more than inconsequential will not be prevented or detected by the Waterworks District's internal control. We consider the deficiency described in the accompanying schedule of findings, questioned costs and management's corrective action plan to be a significant deficiency in internal control over financial reporting. The finding we describe in the accompanying current year findings is referenced as number 07/1.

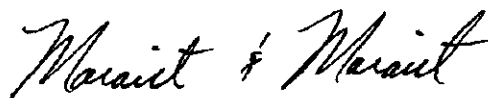
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies identified above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Waterworks District's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed one instance of non-compliance or other matters that is required to be reported under Government Auditing Standards, which is described in the accompanying schedule of findings, questioned costs, and management's corrective action plan and referenced as item 07/2.

This report is intended solely for the information and use of the management, board members, others within the organization, federal awarding agencies and pass-through entities of the Waterworks District No. 4 of St. Martin Parish, Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



MARAIST & MARAIST
CERTIFIED PUBLIC ACCOUNTANTS

September 24, 2007

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
Catahoula, Louisiana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ PASS-THRU GRANTOR/PROGRAM OR <u>CLUSTER TITLE</u>	FEDERAL CFDA <u>NUMBER</u>	FEDERAL <u>EXPENDITURES</u>
None		

The Waterworks District No. 4 of St. Martin Parish, Louisiana has a single revenue bond/loan outstanding with USDA Rural Development at June 30, 2007 as follows:

<u>Revenue Bond</u>	<u>Outstanding Balance</u>
Series R-1	<u>2,205,145</u>

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
Catahoula, Louisiana
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE (1) – GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal award programs of the St. Martin Parish Waterworks District No. 4. The Waterworks District's reporting entity is defined in Note 1 to the St. Martin Parish Waterworks District No. 4's financial statements.

NOTE (2) – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the St. Martin Parish Waterworks District No. 4's financial statements.

NOTE (3) – RELATIONSHIP TO FINANCIAL STATEMENTS

The bonds payable are reported in the St. Martin Parish Waterworks District No. 4's financial statements as a liability.

WATERWORKS DISTRICT NO. 4

Of St. Martin Parish, Louisiana

**Schedule of Findings, Questioned Costs
And Management's Corrective Action Plan
Year Ended June 30, 2007**

Part I: SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the St. Martin Parish Waterworks District No. 4.
2. One reportable condition relating to the audit of the financial statements was reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. One instance of noncompliance relating to the audit of the financial statements is reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
4. There was no single audit required under OMB Circular A-133.

Part II: 2007 FINDINGS – FINANCIAL STATEMENT AUDIT

Internal Control:

07/1 – Inadequate Segregation of Accounting Duties

Condition

The Waterworks District No. 4 does not have an adequate segregation of duties over receipts.

Criteria

Segregation of conflicting duties within accounting functions is a basic internal control.

Cause

Only one person performs accounting duties for the Waterworks District.

WATERWORKS DISTRICT NO. 4
of St. Martin Parish, Louisiana

**Schedule of Findings, Questioned Costs
And Management's Corrective Action Plan (Continued)**
Year Ended June 30, 2007

Effect

Inadequate segregation of duties within the accounting function.

Recommendation

Based upon the size of the operation and the cost-benefit of additional personnel, it is not feasible to achieve complete segregation of duties within the accounting system.

Compliance:

07/2 – Noncompliance with Office of Rural Development loan reserve requirements.

Condition

At June 30, 2007, stipulated Rural Development Loan reserve balances are deficient and in arrears in the aggregate amount of \$23,364.

Criteria

Subsequent to completion of its Rural Development financed construction project, the St. Martin Parish Waterworks District No. 4 is subject to reserve fund requirements imposed by the Rural Development loan agreement.

Cause

Due to a delay in adopting water rate schedule increases, the Waterworks District No. 4 was required to avail itself of existing reserve funds to meet the lump sum accrued Rural Development loan interest payment due upon closeout of the construction project.

Effect

Use of reserve and contingency fund balances of the Waterworks District to meet the interim lump sum debt service payment has caused it to fall behind scheduled loan reserve payments.

WATERWORKS DISTRICT NO. 4

Of St. Martin Parish, Louisiana

**Schedule of Findings, Questioned Costs
and Management's Corrective Action Plan (Continued)
Year Ended June 30, 2007**

Recommendation

As additional cash flows are generated through future operating revenues, supplemental additions to the reserve fund should be made, to bring the reserve balances into compliance with the loan agreement levels.

Part III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Part IV: MANAGEMENT'S CORRECTIVE ACTION PLAN

Finding 07-1

Inadequate segregation of accounting functions.

Planned Corrective Action-None required

Finding 07-2

The Waterworks District No. 4 was not in compliance with bond reserve requirements.

Planned Corrective Action -- The Waterworks District No. 4 has implemented a revised water rate billing schedule which will, when coupled with a reduction in water production costs associated with an agreement by the St. Martin Parish Government to provide excess water at a reduced cost, enable the Waterworks District No. 4 to restore loan reserves to required levels.

WATERWORKS DISTRICT NO. 4
Of St. Martin Parish, Louisiana

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007

Part I: INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

06/1 – Inadequate Segregation of Accounting Functions

Management is aware of and has evaluated this inadequacy and concluded that the related costs versus benefits to be achieved does not justify the additional personnel it would require to establish an adequate segregation.

06/2 – Non-compliance with office of Rural Development loan reserve requirements

The Waterworks District No. 4 has implemented a plan of action to restore loan reserve requirements through increased operating revenues, coupled with reductions in water production costs, which will provide the requisite funding over time to reinstate compliance with Rural Development loan reserve requirements.

Part II: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No prior year findings.

Part III: MANAGEMENT LETTER

No prior year findings.